

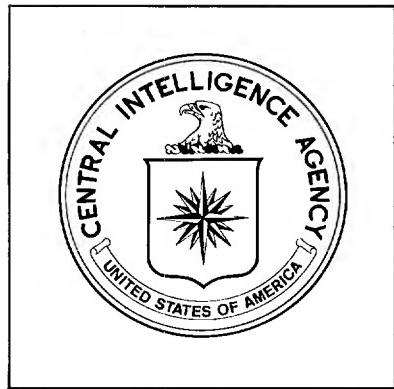
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STAFF NOTES:

Western Europe Canada International Organizations

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No. 0310-75
November 20, 1975

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This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Portuguese Government Suspends Functions Over
Split in Military

Portuguese Prime Minister Azevedo's two-month-old government suspended its functions early this morning, saying that a split in the military made it impossible to govern.

The announcement, following a six-hour emergency cabinet meeting, said the government would remain suspended until President Costa Gomes guarantees conditions vital to its functions and authority.

The Azevedo government apparently has taken this action in an effort to force Costa Gomes, who is also the armed forces chief of staff, to resolve the split in the military between the anti-Communist ruling faction led by Foreign Minister Antunes and the faction backed by the far left and the Communists.

The split has led to a breakdown in military discipline which has crippled Azevedo's efforts to maintain public order and concentrate on governing the country.

According to [REDACTED] reports yesterday, a key leader of the leftist faction, General Otelo de Carvalho, was about to be removed from his sensitive post as commander of the Lisbon Military Region. Leftist commanders of both the military police and an important artillery regiment outside of Lisbon reportedly would also be replaced.

The government [REDACTED] planned to reduce leftist influence in the media drastically by nationalizing radio and television.

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3 | It now appears that Communist and far left op-
position got word of these changes and rallied its
forces in support of Carvalho and in defiance of the
government. This led to the appeal to Costa Gomes to
put down the leftist opposition and thus enable the
government to resume its activities. (SECRET)



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Madrid Explains Spanish Withdrawal From Spanish Sahara

Spain took the first official step in its planned withdrawal from the Spanish Sahara yesterday when the Spanish parliament approved by an overwhelming majority a bill formally "decolonizing" the territory. The new law will take effect as soon as it is published--a formality that will probably be carried out today.

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3 Full details of the agreement worked out last week by Spain, Morocco and Mauritania have yet to be revealed, but during the past few days Spanish officials have privately emphasized that the Spanish withdrawal will not affect the sovereignty of the area "which belongs to the Saharans." Foreign Minister Cortina told Ambassador Stabler that Spain would simply be turning over administration of the country to Morocco and Mauritania. The question of sovereignty, he maintained, was one the UN must revolve. Another high official of the foreign office added that the UN alone had the authority to prescribe a referendum on self-determination.

4 In practice, the distinction between "administration" and "sovereignty" is likely to be a semantic one. Madrid will probably publicize this rationalization of Spain's rather abrupt departure in order to save face and to blunt criticism which might be leveled at Juan Carlos for his role in the settlement. (CONFIDENTIAL)

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Italy's Christian Democrats Schedule Key
Leadership Meeting

The principal deliberative body of Italy's Christian Democratic Party--the 207-member national council--meets this Sunday for the first time since the ouster of former party chief Fanfani last July. His removal was inspired mainly by the sharp gains made by the Communists in nationwide local elections, but the Christian Democrats are still far from agreement on how to prevent the Communists from repeating their success in another round of local elections this spring and in the 1977 parliamentary race.

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Although the council's first order of business will be to set a date and begin preparations for a party congress, the Communist issue will dominate debate. The question of how to reverse the trend toward the Communists has polarized the Christian Democrats and two groups are now vying for control of the party.

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One group centers around Prime Minister Moro and interim party chief Zaccagnini. It includes most of the party left as well as some centrists, like Foreign Minister Rumor, who have gravitated toward the left since the last elections. These Christian Democrats share the conviction that their party will have to change its image by shifting leftward and drawing the Communists into a "competitive dialogue" in order to compete with them at the polls.

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While the "dialogue" proposal is vaguely formulated, its proponents apparently aim to:

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--put more emphasis on tangible issues than ideology in defining the differences between the Christian Democrats and the Communists, on the assumption that anti-communism per se has declining appeal for the Italian voter.

--limit the Communists' ability to exploit their opposition status by forcing them into an open discussion of legislative proposals with the governing parties.

The opposing group which draws most of its support from the party center and right has a majority in the national council. Its leaders--including Fanfani, Budget Minister Andreotti, and Defense Minister Forlani--believe that shifting the emphasis to a policy of open "dialogue" with the Communists would run the risk of slipping gradually into broader collaboration with them. This group maintains that the party's image and policies should continue to center on the unqualified "opposition" to the Communists expressed by the Christian Democrats at their last party congress in 1973.

The center-right forces have been increasingly disturbed that advocates of the "dialogue" thesis now hold the top posts in both the party and the government. No one is prepared to provoke a government crisis by challenging Moro now, but the group is determined to substitute one of its own--Defense Minister Forlani is the frontrunner--for Zaccagnini as party leader. The latter was never a major contender for the top party spot, but he agreed to occupy it on an interim basis after the Christian Democrats failed to agree on a successor to Fanfani.

Forlani is trying to widen his majority and does not want to force the issue until the party congress. Some of his supporters have urged him to move this weekend in order to stop what they

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see as a drift toward the left under Zaccagnini. But that argument will seem less persuasive now that Zaccagnini has backed away from his earlier insistence on postponing the party congress as long as possible. Under a compromise reached last week, it was reportedly agreed that the congress will take place in late February or early March.

If the center-right captures the party leadership, either before or during the congress, one of its most serious problems will be how to avoid an internal party split like the one that plagued the Christian Democrats in their preparations for the June elections. Unless Forlani broadens his base, the Christian Democratic leadership and policies could draw the opposition of the party's own left-wing, at a time when the Christian Democrats' major task is to win back voters who have been drifting leftward.

Downgrading the role of the party left could seriously hinder efforts by the next Christian Democratic leader to rejuvenate the party's grass roots organization. To compete successfully with the Communists and Socialists, for example, the Christian Democrats must revive their ties with the industrial working class. One hopeful sign in this respect is the renewed interest in party affairs shown recently by the leader of the Christian Democratic-oriented labor confederation--Italy's second largest. He is a supporter of the Moro-Zaccagnini line, however, and if that is shunted aside, Christian Democratic labor leaders could turn their backs on the party and concentrate on labor affairs.

The Christian Democrats' internal struggle is being followed closely by the Socialists and Communists, since neither can calibrate its strategy until the outcome is known. For different reasons, both the Socialists and Communists hope the Christian Democratic left will retain an influential voice in party affairs.

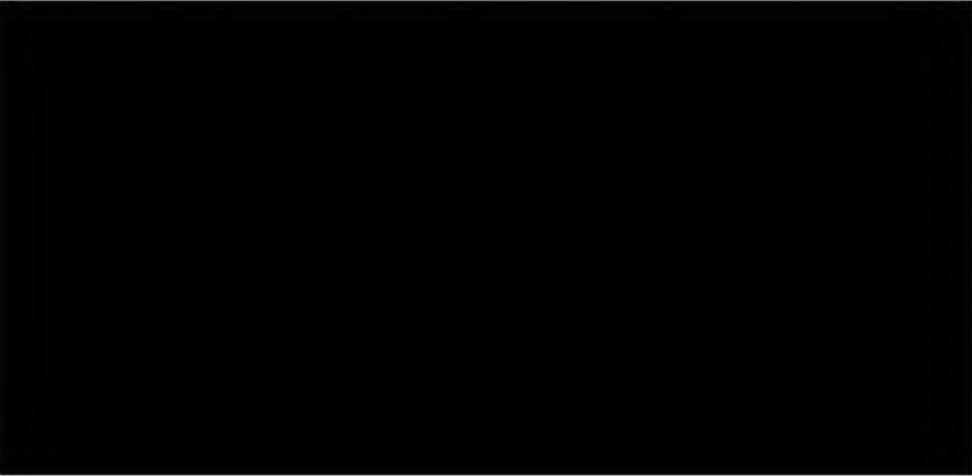
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4 | In the Socialist view, the Christian Democrats would then be more likely to adopt the kinds of policies that the Socialists feel are necessary to justify renewed participation in the government to their own constituents and to Communist supporters they are trying to capture. The Communists, on the other hand, favor the "dialogue" idea, because they see it as an opportunity to work toward a modus vivendi with the Christian Democrats while reinforcing the climate of acceptance that the Communists feel is so essential to achieving their goal of eventual membership in the national government.

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Moderate Trade Unionists Gain Influence
in Britain

Moderate trade unionists have increased their influence in the engineering union, Britain's second largest, following a strong showing in recent elections for a variety of union posts.

The moderates most important victories came in the crucial battle for seats on the union's executive council, which they will now control. Moderates won resoundingly in two contests. Results for the third seat were inconclusive, but the left-wing candidate was eliminated leaving two moderates to compete in a run-off.

A sharp setback was dealt to Bob Wright, a veteran left-winger and heir-apparent to militant union boss Hugh Scanlon, who was soundly defeated by a relative unknown. This is the second major setback for Wright within a year and it puts a damper on the left-wing's ambition to dictate Scanlon's successor.

The moderate gains stem from:

- the sobering effect of the recession;
- dissatisfaction with Scanlon's stewardship, especially of the union's financial affairs; and
- the system of postal balloting for all members, which minimized the influence of the activist minority.

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The new moderate leadership is more likely to cooperate with Prime Minister Wilson's anti-inflation program. The principal goal of the program is to reduce Britain's inflation--now running at about 26 percent annually--to a single digit figure by the third quarter of next year. Union cooperation in restraining wage demands will be necessary to achieve this goal.

The engineers have objected to the current flat rate limit on increases because it damages the complex system of wage differentials that have painstakingly been worked out over the years. By going along for now with the government, the engineers probably expects better treatment for the union when the next phase of controls begins next summer. (CONFIDENTIAL NOFORN)

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